GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:28
ANSWERED ON:17.02.2006
PRIME LENDING RATE
Shiwankar Shri Maha Deo Rao

Will the Minister of FINANCE be pleased to state:

(a) whether interest rate has been fixed arbitrarily by the banks during 2004-05;

(b) if so, the reasons therefor;

(c) whether the prevailing rules governing Prime Lending Rate have been changed by the Reserve Bank of India;

(d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRIPAWAN KUMAR BANSAL)

(a): No, Sir.

(b): Do not arise.

(c) & (d): The Reserve Bank of India (RBI) has deregulated lending rates since October 1994 and banks are free to determine their own lending rates for credit limits over Rs.21akh.

Pursuant to the announcement made in the Reserve Bank`s mid-term Review of November 2003, the Indian Banks` Association (IBA) advised its member banks to announce a benchmark prime lending rate (BPLR) with the approval of their Boards, taking into account (i) actual cost of funds, (ii) operating expenses and (iii) a minimum margin to cover regulatory requirement of provisioning/capital charge and profit margin keeping in view the operational requirements.